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FM AMEMBASSY PRETORIA

TO RUEHC/SECSTATE WASHDC 1248

INFO RUCPDC/DEPT OF COMMERCE WASHINGTON DC

RHEBAAA/DEPT OF ENERGY WASHINGTON DC

RUEHC/DEPT OF LABOR WASHDC

RUEHAK/AMEMBASSY ANKARA 0231

RUEHBJ/AMEMBASSY BEIJING 1083

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E.O. 12958: N/A

TAGS: EMIN ELAB ENRG EINV PGOV SF

SUBJECT: Minerals Minister Says No Mine Nationalization for South Africa

REF: 09 PRETORIA 393

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¶1. (SBU) Summary: South African Minister of Mineral Resources Susan Shabangu stated publicly and clearly that nationalization of the country's mines is not government policy and is not on the government's agenda, speaking at the opening of the Africa Mining Indaba in Cape Town on February 2. She was responding to repeated calls for nationalization of the mines from African National Congress Youth League (ANCYL) President Julius Malema, who stridently criticized the Minister's announcement. Many SAG officials have confirmed that nationalization is not government policy, but allowed that there could be a debate in the future. The Minister's emphatic statement of policy was positively received by the mining community, which has a number of challenges to deal with in South Africa, including power, safety, mature geology, labor, and black economic empowerment and transformation. Despite its political overtones and lack of backing in facts, the sustained carping from ANCYL about mine nationalization continues to worry some would-be investors in the mining sector as a political risk. End Summary.

Mining Indaba - Minister Emphatically
Counters Calls for Nationalization

¶2. (SBU) In a press conference at the opening of the Africa Mining Indaba (conference) in Cape Town on February 2, Minister of Mineral Resources Susan Shabangu stated clearly that nationalization of the mines in South Africa is neither government policy nor on the government's agenda. She said, "I can say in my lifetime there will be no nationalization. Maybe when I am dead and rest assured I'm not dying next week." Over the last few months, President Jacob Zuma and Deputy President Kgalema Motlanthe have said there will be no change in the country's policy and nationalization is not in the cards. Chamber of Mines Economist Roger Baxter told Minerals/Energy Officer that government policy was clear that nationalization was not viable. Mining executives in general have dismissed the calls

for nationalization as hot air. Even the SA Communist Party called the proposal inappropriate for the country's state of development. In a presentation at an Eskom power plant, Deputy Minister of Public Enterprises Enoch Godongwana was dismissive of the reaction to the calls for nationalization. He said, "The debate has been going on for my lifetime, why should it scare investors now?"

¶3. (SBU) ANC Youth League President Julius Malema has been stridently beating the drum for nationalization of mines for months. Minister Shabangu apparently aimed to give a clear and emphatic response to quiet concern on the issue. The ANCYL nastily escalated the row by saying Shabangu did not understand the ANC and accusing her of lying. The ANCYL said Shabangu should stop "misleading other of lying. The ANCYL said Shabangu should stop "misleading investors" and "sucking up to monopoly capital", and questioned her fitness for office. Malema also criticized De Beers Chairperson Nicky Oppenheimer, who dismissed the call for nationalization. Malema said it is up to the ANC "to take from his (Oppenheimer's) family what belongs to the people of South Africa." (Comment: The ANC leadership lets the ANCYL freely attack targets with gusto and without care for facts, thereby letting off political steam. End Comment.) The row appeared to quiet down in the press as reports of President Zuma's latest offspring took over media space.

¶4. (SBU) Speaking on the margins of the Indaba, Department of Minerals Resources Deputy Director General Jacinto Rocha stated that government and ANC policy documents are clear in not supporting nationalization. However, he allowed that there could be a debate about nationalization at the next ANC policy conference in 2012. Cutting the ANCYL some slack, Rocha noted that "youngsters" are idealists and older people are pragmatists. Rocha went on to say

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that democracy and nationalization do not fit together. He emphasized that "a mine is not part of the national patrimony; a mine is private property, which is why the concept of nationalization would have to be thoroughly analyzed and a decision ultimately made on its feasibility, following correct legal routes."

(NOTE: On February 4, Jacinta Rocha announced that he was stepping down from his position after 13 years. End Note.)

Mining Charter and Constructive Approach

¶5. (SBU) Shabangu's speech at the opening of the Mining Indaba was perceived by the mining industry as constructive and consultative. This contrasted with the tough tone she took when she first took office, when she laid into the mining industry for its failure to live up to the spirit and intent of the mining charter, as well as a failure to achieve transformation in the sector. At the Indaba, Shabangu promised to consult with industry in reviewing the Mining Charter and establishing related codes of conduct. She promised to halve the time it takes to grant a mining license to six months and a prospecting license to three months. The Minister appeared to be signaling a concern about the industry's growth and expansion, along with her traditional concern about transformation (to support development in the country).

¶6. (SBU) COMMENT: It is not clear what drives the ANCYL's obsession with nationalization of mines. The Government has been cautious in its response, ultimately stating that nationalization does not make any sense or have any basis in policy or law. However, some foreign investors remain concerned and do not necessarily distinguish between serious proposals, debate, and hot air. The Mineral Resource Department's tardiness in processing license applications during the conversion to the new Minerals and Petroleum Resources Development Act has been cited as a factor that undermined South Africa's ability to take full advantage of the commodities boom. Other challenges that impede new mining investment in South Africa are worries about power, safety, labor, water, transformation, requirements for domestic beneficiation, and black economic empowerment, as well as increasingly deep and mature geology and reserves.